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CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

State Economic Commission Publishes 1982 Industrial Work Document (CONGREN RIBAO, 2 Feb 82)	1
Effectiveness of Fixed Assets Reviewed (Liu Rongcang; JINGJI YANJIU, 20 Jan 82)	7

ECONOMIC MANAGEMENT

Printing Calendars as Gifts at Public Expense Prohibited (Dun Lian, Fang Sheng; BEIJING RIBAO, 18 Dec 81)	17
--	----

FINANCE AND BANKING

Overfulfillment of Guangdong's 1981 Revenue Plan Reported (Li Sensheng; NANFANG RIBAO, 7 Jan 82)	18
Shanghai Overfulfilled 1981 Foreign Exchange Earnings Quota (Li Qing; JIEFANG RIBAO, 3 Jan 82)	20
Improved Methods of Accumulation, Spending by Banks Urged (Wang Zhou; TIANJIN RIBAO, 29 Dec 81)	21
Banks' Role in Economic Construction Discussed (Wu Dakun; ZHONGGUO CAIMAO BAO, 9 Jan 82)	24
Measures To Improve Financial Situation Proposed (Ren Tao, Lu Baifu; ZHONG CAIMAO BAO, 5 Jan 82)	27
Annual Revenue Plan Overfulfilled Ahead of Schedule (Wang Yongdian, Shen Chaoda; YUNNAN RIBAO, 29 Nov 81) ...	32

Henan Meeting of Enterprises' Financial Work (Henan Provincial Service, 10 Feb 82)	34
Briefs	
Overseas Remittance Increases Substantially	36
Guangdong Industrial, Commercial Taxes	36
INDUSTRY	
Machine Building Industry Advancement Noted (XINHUA, 12 Feb 82)	37
Briefs	
Chemical Fiber Production	38
DOMESTIC TRADE	
Commerce Economy Institute Discusses Theories (Su Xuesheng; ZHONGGUO CAIMAO BAO, 21 Dec 81)	39
GENERAL	
Restructuring Necessary Despite Steady Economic Growth (Xu Haikuo; WEN HUI BAO, 13 Jan 82)	42

NATIONAL POLICY AND ISSUES

STATE ECONOMIC COMMISSION PUBLISHES 1982 INDUSTRIAL WORK DOCUMENT

Beijing GONGREN RIBAO in Chinese 2 Feb 82 pp 1, 3

[Article: "State Economic Commission Issues Main Points for This Year's Work in Industry and Communications"]

[Text] The document "Main Points for Work in Industrial Production, Communications and Transport in 1982" recently handed down by the State Economic Commission requires that the employees of the country's industrial and communications enterprises act in the spirit of owners of the enterprises, do all their work with solid effectiveness and make a greater contribution to fulfilling and overfulfilling this year's production assignments.

In accordance with the spirit of the conference of provincial, municipal and autonomous region first secretaries held at the end of last year by the Central Committee and the principles of this country's economic construction laid down by Premier Zhao Ziyang at the Fourth Session of the Fifth National People's Congress, the "Main Points for Work" lays down the following as the main requirements for industrial and communications production in 1982: high morale, a realistic attitude, continued thorough implementation of the "eight-character policy" of readjustment, restructuring, reorganization and upgrading, energetic and effective enterprise restructuring and industrial readjustment, comprehensive upgrading of economic results, and striving to achieve the objective of "guaranteeing four percent while striving for five [in national economic growth]".

/Continue energetically expanding production of consumer goods./ In accordance with the policy of "guaranteeing seven percent while striving for nine [in light industrial growth]" production should be organized to assure the production of durable consumer goods, textiles and clothing, foods, small commodities, medium and small agricultural tools, daily-use chemical engineering products, domestic furnishings, recreation, sports and health care products, and products especially needed by minority peoples and for tourism, and to bring about a sizeable increase in quantities and in colors and varieties. In particular, account should be taken of changes in rural markets and more consumer goods suited to the peasants' needs should be provided.

/Heavy industry should continue effective readjustment./ Inventories of overstocked products should continue to be controlled, an energetic effort should be made to increase output of products in short supply, and total output should be moving steadily back up, to achieve a rate of increase of 1 percent. The mechanical industries should further readjust the focus of their services, increase their adaptability and shift their emphasis to serving the technical renovation of old

enterprises and to the expansion of exports. The metallurgical and chemical engineering industries should focus on increasing the output of consumer goods and serving agriculture and should provide a wide variety of high-quality products and raw and other materials. The for products industry should maintain strict control on unplanned cutting and should effectively institute comprehensive utilization of wood products and conservation and substitution. The building materials industry must strive to increase its output, particularly of building materials for agricultural use, and must make an energetic effort to increase the output of large and medium-sized cement plants and glass factories.

/Successful energy production and conservation./ The energy industries, and particularly the coal industry, must maintain a certain growth rate and expand steadily. They must strive to make a success of energy conservation as the key to assuring continued growth of industrial output in 1982 and subsequent years. They must conscientiously implement the 58 measures issued by the State Economic Commission, the State Planning Commission and the State Energy Commission, and energy consumption in 1982 must be decreased by 3 percent. Energy conservation, including water conservation, should start with basic work. All enterprises, and particularly those with high energy consumption, should successfully carry out their energy balance work in accordance with deadlines, effectively step up energy management, and eliminate all forms of losses and waste. The techniques of management by quota, fixed-quantity supply and review of consumption record-keeping should be implemented everywhere, and units which exceed their limits should have their prices increased. High-consumption industrial boilers and furnaces should be renovated in systematic and planned fashion, and general-use electrical equipment, power machinery and transport vehicles with high energy consumption should gradually be replaced.

/Rational organization, intensified management, and assurance of the transport of coal, import and export goods and other commodities./ Dispatcher control should be strengthened, rational transport should be instituted, coordinated rail, water and highway transport should be organized, and railway restricted-area cargo throughput capacity and harbor handling capacity should be increased. Stress should be laid on technical reequipping of the routes for shipment of coal out of Shanxi; the Jinpu, Jiaoji, Longhai and Baolan railway lines and the Qinhuangdao and Wuhan ports should be technically renovated so as to increase coal transport capacities.

Such methods as joint operation of cargo boat fleets by the Ministry of Communications and the localities, construction of their own wharves by industrial and mining enterprises, and development of barge operations should be adopted so as to use water transport more effectively. The organization and management of highway transport markets should be strengthened. Civil aviation should increase the aircraft utilization rate, increase its number of routes and flights and carry on effective safety and service work. An effort must be made to improve communications quality and service standards, and to increase communications capabilities; municipal telephone and post and telecommunications station construction must be intensified and containerized postal transport developed.

/Comprehensive improvement of economic performance with increased output and increased profit./ The increase in industrial taxes should be related to the growth of output so as to assure fulfillment of assignments for payment of funds to higher levels. All enterprises should work at improving economic management and finding

additional potential and should strive to raise the proportion of products with top quality, labor productivity, materials and fuels utilization rates, profitability per unit output value, profitability of funds, funds turnover and the exchange rate of export products. They should start by achieving records for the individual enterprises, then reach advanced levels for the localities and industries. Those that have already done this should bring themselves up to advanced national or international levels. Major efforts must be made in product quality, production must be conducted in full accordance with product quality standards, and more top-quality products and brand-name products must be produced. Products whose quality has declined must be improved again by a set deadline. While assuring quality, comparable product costs should generally be lowered 2 to 3 percent. Effective steps should be taken to decrease the enterprises' range of money-losing products. Labor protection should be strengthened, effective equipment maintenance and servicing should be conducted, and conscientious efforts should be made to assure safe production and good production conditions.

In order to make a success of industrial and communications production work this year, the "Main Points for Work" calls for effective performance of the following eight types of work.

1. /Energetic, Effective Enterprise Reorganization/

In accordance with the CCP Central Committee and State Council document "On the Decision to Carry Out Comprehensive Readjustment of the State-Run Enterprise," all localities and departments must treat enterprise reorganization as a major matter and carry it out conscientiously. All enterprise reorganization work carried out by the areas and departments should result in specific assignments and organization and must give due attention to oversight and to summarization of experience.

2. /Improvement of the Economic Responsibility Systems/

Improvement of the economic responsibility systems must be carried out in parallel with enterprise reorganization. First the enterprises' economic responsibility to the state and the employees' responsibilities to the enterprise must be made clear, and emphasis must be placed on implementing responsibility systems within the enterprise, establishing a responsibility system for leaders at all levels, a responsibility for functional departments and their personnel, and a job responsibility system for the workers, so that each worker has a specific position and each position has specific responsibilities. The relationship between the interests of the state, the collective and the individual employees should be correctly handled. The contracting base figures and the retention percentages for overfulfillment should be correctly set and the latter should be arranged so as to assure increased revenues for the state. Total bonus funds should be held at the 1981 level. Piece work wages must be kept under strict control and specific conditions set and approved. Where piece rates have already been instituted, they should be reorganized and upgraded. Employee earnings should not suddenly shoot up to an excessive degree: the changes should be circumspect, and excessively low earnings in the past should be suitably made up.

3. /Continued Effective Enterprise Readjustment, Restructuring and Integration/

Major achievements in enterprise readjustment should be made through further readjustment of enterprise structure, product structure and organizational structure. The disposition of productive capacities should be gradually reorganized in accordance with an overall plan and with reference to energy supplies and communications and transport conditions. High-consumption, poor-quality, consistently money-losing enterprises, and particularly those whose consumption is far above norms and which are guilty of serious waste should be reorganized, and some should be resolutely shut down. Some commune enterprises which compete with large industries for resources, which are technically backward and which are developing in blind fashion should also be conscientiously readjusted and restructured in cooperation with the relevant departments. Areas with scarce energy supplies should not further increase their processing capacities.

In coordination with the readjustment, further effective industrial reorganization and enterprise integration should be carried out. Process specialization in the casting and forging, electroplating and heat treatment industries of Beijing, Tianjin, Shanghai and some other critical cities should be carried out. Provinces, municipalities and autonomous regions should be encouraged to organize economic cooperation among themselves in accordance with the principle of economic rationality and in keeping with traditional economic relationships; they also may form various types of economic integration units.

4. /A Major Effort in the Technical Renovation of Existing Enterprises/

To succeed in technical renovation it is necessary to start by improving one's understanding. The point of departure should be renovation of existing enterprises as the fundamental change called for in the construction policy.

Technical renovation of existing enterprises should be carried out under state oversight and should be begun with the key cities (e.g. Shanghai, Tianjin, Beijing and Shenyang) and the key enterprises and carried out gradually. Good programs should be developed, feasibility studies carried out and plans drafted. The key element of renovation should be energy conservation and the objective should be increased economic effectiveness. Enterprise depreciation funds and production development funds should be used primarily for equipment modernization and technological renovation; they should not be diverted to other uses or blindly used to increase the scale of production. Jointly with banks, management and oversight of enterprises' discretionary funds and their various specialized funds should be intensified, so that these funds are well managed and used. The technical renovation plan should be coordinated with the use of foreign capital and the import of technology to renovate existing enterprises. Domestic scientific and technical achievements and advanced equipment should be utilized and the necessary advanced technology suited to our country's conditions imported. When importing technology, emphasis should be placed on economic results, there should be a repayment capability, and overall planning and coordination work should be intensified so as to avoid duplication of imports and mutual interference.

5. /Intensification of the Connection Between Scientific Research and Production/

The industrial departments' scientific research and design units must persist in the policy of making research serve production and make it their prime task to solve major technical problems of production and to aid in technical renovation of older enterprises. At present there is a particular need to stress the successful pursuit of research topics related to increased output of consumer goods and to conservation of energy, in addition to which an energetic effort should be made to improve the quality and capabilities of basic parts, assemblies and materials and to raise the technical standards of basic processes. Effective dissemination of scientific research achievements will help to turn them into productive forces as quickly as possible.

Coordination and cooperation between scientific research units, large specialized academies and schools, and production enterprises should be organized in a variety of forms. The scientific research and design units should orient themselves toward production and toward the basic level and actively provide consulting services, take on tasks, and assign personnel to provide regularly scheduled assistance to production units and to act as part-time or full-time technical advisers. Scientific research and production units can use the contract system and institute extensive joint technical work; some of them can organize joint scientific research and production bodies, while some scientific research organizations can unite with relevant production enterprises and gradually institute a system of compensated transfer of scientific research results. While strengthening scientific research work, they must accord full importance to pursuing mass technical modernization activities.

6. /Effective Coordination and Unification Between Industry, Commerce and Trade/

We should further exploit the capabilities of province, municipality and autonomous region industrial-commercial coordination leadership groups and organize industry, commerce, finance, trade, banking and other departments to coordinate their various relationships and resolve conflicts regarding varieties, quality, prices, taxes, distribution of profits and the like. They should implement the state plan, carry out effective unification and balancing of the annual and quarterly production and sales plans, strictly carry out contracts, exchange information and provide mutual support. The industrial departments should strengthen their market research, carry on effective forecasting and reporting, in particular that leading to an understanding of the changing conditions of the rural markets, and should guide the enterprises in better meeting the needs of the countryside. In the future, products marketed by industrial enterprises themselves should make up a larger proportion of goods sold in the countryside.

7. /Conscientious Intensification of Ideological and Political Work/

To upgrade industrial production, we must stir up a revolutionary spirit, make a maximum effort and have a good spiritual attitude. We should restore our party's good traditions in political work, consistently follow the principle of putting politics in command and having ideology lead the way, we should treat political work as the lifeline guaranteeing successful completion of all economic work, and must work in coordination with economic activity, stressing actual results and avoiding formalism. We must establish momentum within the enterprises, develop

powerful and sustained public opinion and enable correct tendencies to overcome incorrect ones; we must not replace ideological and political work with bonuses.

We must make the recognition of advanced experience and the establishment of models a constant task of ideological and political work. We must consistently imitate and strive to match the pacesetters and help those who are lagging behind, compare ourselves with the pacesetters and look for disparities, make the pacesetters our teachers, spread labor competitions in comparing oneself with, learning from and attempting to catch up with pacesetters and mass efficiency-improvement suggestion activities, select and give recognition to advanced units and individuals, with conspicuous publicity. We should spread the experience of the metallurgical, coal, chemical engineering, textile and other departments in carrying on competitions within industrial branches and within job types, regularly publicize rankings in terms of the main technical indicators, and promote emulation of advanced enterprises by units which are lagging behind.

8. /Intensified Investigation and Improvement of Leadership Style/

The main responsibilities of the leadership organs are surveys, investigation, inspection, supervision and motivation. The economic committees at all levels must intensify their investigative work and solve problems of industrial production and communications and transport. In dealing with the major economic and technical policies, they must gain a clear understanding of circumstances, give consideration to the overall situation, engage in repeated discussion and demonstration, and put forward suggestions and make decisions. In dealing with the main work to be done, they must organize their forces, work out a clear division of labor, and deal with it continuously in order to handle the situation effectively, accumulate experience and get results. They must work on overall planning, they must work on simplifying and streamlining organizations, they must learn to manage economics from an economic standpoint, and they must intensify their work, improve their work quality, focus on the key points, focus on typical examples, strengthen investigation and research, summarize and exchange experience, and make new efforts to achieve new progress in this year's work.

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NATIONAL POLICY AND ISSUES

EFFECTIVENESS OF FIXED ASSETS REVIEWED

HK170801 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 82 pp 52-57

[Article by Liu Rongcang [0491 3310 3318]: "On the Relations Between the Investment of Fixed Social Funds and the Effectiveness of Fixed Assets"]

[Text] Under the condition of a commodity economy, the investment of fixed funds is the prerequisite for the formation and use of social fixed assets. The quantity, direction, proportion, and the material structure of such investments are not only closely related to the scale and speed of social reproduction and to the structure of social products, but also directly determine the effectiveness of the use of social fixed assets. Since the founding of our republic, as a result of the hard work and the painstaking accumulations of the whole nation, several hundred billion yuan of fixed funds have been invested in the construction of the national economy, which have preliminarily laid the material and technological foundation for the national economy of our country. Much has been achieved in capital construction, and its main trend is a sound one. However, in so far as the economic effect is concerned, the effective use of the social fixed assets has been far from satisfactory. For 30-odd years, with the exception of a few years, the general situation of our country has been an everincreasing investment in capital construction. In many years, the capital construction expenditures accounted for more than half of the government expenses. Yet, the production capacity and the effectiveness of the use of the social fixed assets per unit of capital construction investment have been on a downward trend. Such a situation has brought unfavorable effects on the healthy development of the national economy and the improvement of the people's livelihood. Grave lessons have attracted the close attention of everyone regarding this problem.

It is the purpose of this article to present my own understanding of, as well as my suggestions for, the solution of a number of problems in the mutual relations between the investment of fixed social funds and the effectiveness of fixed assets, especially the effects on the use of social fixed assets in respect to the quantity and proportion of such investments as well as the strategic and tactical decisions of such investments.

First of all, I would like to discuss the question of the influence of the amount of investment in social fixed funds on the effective use of social fixed assets.

Marx pointed out that under the condition of capitalism not until the money capital accumulates to a certain size can the real capital play its role. The reason is that not until the labor power and means of production purchased by money capital attain a certain quantitative magnitude, can the two be organically united and thereby be transformed into a certain scale of production and realistic production capacity. Under the system of socialism, despite the fact that labor is no longer a commodity, the means of production, including means of labor, are still commodities. The means of livelihood needed by the workers for the purpose of reproduction have to be purchased with money. Likewise, the remuneration of the workers has to take the form of money wages. Therefore, the realization of the unification of workers and the means of production is still dependent on the medium of money. It is quite understandable that under socialism the realization of the unification of workers and means of production will be difficult without the accumulation of a certain amount of funds. As Marx pointed out, the feasible expansion of the scale of social production cannot be specified at will. It is limited not only by the magnitude of the accumulation of funds, but also prescribed by the various material and technological factors. With money capital or with the provision of fixed assets ready for use alone and without the other conditions such as the supply of raw materials, fuel, power and the means of transportation for the products as well as the support of other requisites, the use of the means of labor or the expansion of reproduction will still be impossible, or will not be able to be sustained for long. Under such circumstances, the more the input of fixed assets into production, the more waste and idle capacity will there be, which will lead to the unfavorable consequence of large investments and poor efficiency. Conversely, with the provision of all conditions for expanded reproduction except an adequate amount of fixed assets in production, the economic efficiency of social reproduction will also be very unfavorably affected.

Then, what is the optimum investment of social fixed capital in quantitative terms? Or, in other words, how can the best effect be gained with the least input of social fixed funds? Briefly, this is done by closely combining the feasible input of social fixed funds and the fixed assets objectively required by social production in order to fix the optimum degree of investment as well as to avoid excessive, pointless and inadequate investment.

First of all, by feasibility we mean the following: How much funds can the state, the production departments and enterprises devote to the investment of social fixed assets after taking into consideration the least needs of the various sectors under the present conditions? In this case, the efficiency of the use of both the newly increased and the original fixed assets will be directly and unfavorably affected if we go to the following extremes: unitary expansion of scale of production and increase of means of labor to the exclusion of other factors or undue concentration on the consumption and other needs of daily life to the neglect of the corresponding increase of expanded reproduction and that of the means of labor. As indicated by the

experience of economic construction of our country in the past 30 years, to fix the appropriate, practicable amount of investment for social fixed assets, priority must be given to coping with the following needs. 1) With the development of production as the basis, the level of material and cultural life of the laboring masses must be elevated gradually year by year. This is prescribed by the basic law of economic development of socialism as well as by the purpose of socialist production. 2) It must be conducive to strengthening rather than weakening the existing industrial technological foundation. Or, in other words, it must fully guarantee the funds needed by the normal operation of simple reproduction and the full utilization of the existing fixed assets. 3) It must be conducive to the progress of science and technology and the corresponding progress of the education on science of the whole society which is related to the modernization of production facilities. 4) A specific amount of social reserve funds that are most necessary must also be set aside against the possible disturbances that may appear in the process of social reproduction and the circulation of funds. Not unless the above-mentioned minimum requirements of funds from four sources are satisfied on a priority basis, can the specified sum of social fixed funds be underlaid by a solid foundation and supported by scientific verification, and hope to achieve actual economic efficiency. The reason behind this can be explained as follows. With excessive investment of fixed assets or an excessive scale of capital construction unfavorably effecting the maintenance or improvement of the livelihood of the broad masses of the people and impairing the enthusiasm to produce on the part of the broad masses of workers, with the destruction of the current basis of maintaining simple reproduction on which the operation of expanded reproduction relies, and with the neglect to raise the level of science and technology of the society as a whole and the training of skilled technical workers, the weak links of the national economy will not be readjusted and strengthened, nor will the disturbances that appear in the process of reproduction be eliminated rapidly, nor will a timely solution be brought to the problem of disproportion. All this will directly or indirectly impair the investment effect of the social fixed assets in the short or long term. This has been repeatedly demonstrated by the protracted experiences of economic construction of our country in the past.

In addition, feasibility means that we must also consider the mutual unification and adaptability of funds and supplies as well as the mutual adaptability of the investment of fixed funds in terms of quantity and capability of fixed assets formation. With funds alone without the corresponding production equipment, construction work force, and guarantee of other production conditions, the money in question will be void, and "void" money is incapable of forming fixed assets. Furthermore, the more "void" money there is the greater the damage and waste which will follow, and the more acute will be the unfavorable effects which will impair the efficiency of the formation of fixed assets. In addition to this, need means the actual need in the various sectors of the national economy for fixed assets investment as required by expanded reproduction. Here, the words "actual need" particularly require elaboration, as our lessons in the past can mostly be traced to the source of being unrealistic.

As we know, briefly speaking, the actual need for investment in production installations can be traced generally to the following situations:

- 1) The actual need for investment in fixed assets as a result of the expansion of the scale of production (new construction, reconstruction, and expanded construction).
- 2) As greater production capacity is formed with the application of technological transformation to the original equipment, new fixed asset investment is needed for original equipment which is incomplete or not fully serviceable.
- 3) Certain parts of equipment have to be replaced ahead of schedule because of scientific and technological advancement and their wide application in production, requiring more funds than the depreciation reserve can afford and demanding new fixed asset investment to fulfill the requirement.
- 4) Unexpected disasters (floods, earthquakes, and so on) or unexpected damage to the fixed assets in the process of production, and so on.

With regard to the needs arising from the first three kinds of investment, the key lies in assessing the reality (urgency), truthfulness, and rationality of such needs, and correct judgment lies in the necessary full-scale study of the practicability and comparative economic effect of such needs. With respect to the first kind of needs, special attention must be paid to the balance of production and demand, the balance of financial, manpower, and material resources as well as the coordination and linkage among the various departments and the economic and technological resources, and to the organic unification of the advanced technology and economic rationality in order to avoid blind investment of fixed funds and the unfavorable effects of devious and excessive investments on the efficiency of the use of fixed assets. In consideration of the unexpected needs of the latter cases and for the sake of the removal of disturbances in the execution of the plans, the investment plan of social fixed funds should not be stretched to the full, but adequate leeway should be left. If we overlook the principle of ensuring scientific judgment on the practical world and bringing our actions in line with our capability, the inevitable result will be the passive situation of either excessive investment in our capital construction forcing many projects to be suspended halfway, or insufficient and devious investment subsequently requiring additional investment and readjustment. This will inevitably threaten the successful formation and improvement of the effective use of fixed assets.

In short, within a certain period of time the quantity of social fixed fund investment will not only be directly related to the results of social fixed asset formation, but will also directly influence the effectiveness of the use of fixed assets. Any error in this respect will make the newly added fixed assets idle or semi-idle, but will also be unfavorable to the rational use of the old equipment. This will influence the effectiveness of the use of the social fixed assets as a whole and the speed of economic development. We must have a good grasp and strict control of the quantity of social fixed fund

investments from the viewpoint of macroeconomics. On the basis of ample investigation and studies, it is necessary to carry out trial calculation and balance, repeated feasibility studies and comparison of programs in regard to fixed asset investments, especially those of the large and medium-scale investment projects. On the premise of scientific forecasting of the economic benefits with the formulation of fixed assets (both short-term and long-term benefits), careful observations must be made in regard to the actual and rational needs of the investments in the light of techniques, economic conditions and commercial practices as well as in close connection with the possibility of fund supplies. Only with all these, can we make comparatively accurate calculation of the appropriate amount of fixed asset investments within a certain period of time and make the best choice in the hope of assuring efficient use of fixed assets.

II

The effects of social fixed funds on the effectiveness of the use of fixed assets also reside in the direction of the use of the investments or the appropriateness of the distribution of investments among the various departments. Long ago, Comrade Zhou Enlai pointed this out: "The size of construction of the state depends mainly upon the accumulation of funds we can possibly achieve and the way the funds are distributed. The more funds we accumulate, and with rational distribution, the quicker the development of social expanded reproduction will be. So will the various sectors of the national economy develop in good proportion. Consequently, the proper solution of the problem of funds and their distribution is of great importance." (Zhou Enlai: "Report on the Proposed Second Five-Year Plan for the Development of the National Economy," People's Publishing House, 1956, p 44) With the amount of investment as given, the reason why the formation and the efficiency of use of fixed assets to a great extent depend upon the proportions of investment distribution among the various departments is that under the condition of socialized large-scale production the national economy is an organic whole with its various sectors and enterprises in a relation of mutual dependence and restriction, closely connected link by link, each being indispensable to the whole. Under the condition of socialist large-scale production, guided by planned economy in particular, such relations are even closer. Consequently, even better harmony and coordination are needed for action. If excessive fixed asset investment occurs in a certain department of production resulting in excessively large-scale production, inevitably part of the fixed assets of that department will be in an idle or semi-idle state unfavorably effecting the full play of its function. Conversely, if insufficient investment occurs in a certain department resulting in its inability to cope with the needs of the production development of the other departments, then part of the fixed assets of the departments concerned will be unfavorably affected in their efficiency of use. The following are the specific results:

- 1) The disproportion of the social fixed asset investments will lead to abnormal production scale and structure, doing great damage to the internal organic relations of social reproduction, disrupting the balance among supply, production, and sales and thereby the efficiency of use of the fixed assets of society.

2) The disproportion of the social fixed asset investments will lead to the abnormal technology structure of the various departments of the national economy, the related departments in particular, thereby widening the technological gap and weakening the mutual adaptability among the various departments and enterprises, adversely affecting the efficiency of use of the social fixed assets. For example, the undue technological gap between advanced and modern metallurgical equipment and outdated and backward mining equipment will undoubtedly have unfavorable effects on the efficiency of use of the advanced metallurgical equipment.

3) The disproportion of the social fixed asset investments will result in an abnormal production cooperation system, disrupting the normal relations among the departments and the "synchronization" grouping in the production process, disturbing the normal operation of the reproduction chain, and consequently bringing harm to the efficiency of use of the social fixed assets.

Marx pointed out that "the value of circulating capital invested on labor force and means of production is only the prepaid time needed by the finished product. It must conform to the production scale prescribed by the size of fixed capital." (Marx: "Das Kapital," People's Publishing House, 1975 edition, Vol 2, p 186) The disproportion of the social fixed asset investment is also apt to give rise to abnormal proportions between fixed and circulating capital, causing disconnection between production capacity and the supply of labor force, raw materials, fuel, power and so on, thereby unfavorably affecting the effectiveness of the use of fixed assets.

5) The disproportion of social fixed capital investments will also give rise to the outcome of inadaptability between the scale of capital construction and that of the formation of fixed assets such as the supply of production equipment, the capacity of civil engineering equipment and construction, and so on, thereby affecting the effectiveness of the use of fixed assets through the result of the formation of fixed assets (for instance poor quality, failure in assembled machinery, formation of complete sets of equipment and integrated production force for a long period of time, and so on).

In the socialist economic construction of our country in the past, as the result of a comparatively high rate of accumulation for a long time in the past and the malpractice of excessive fixed asset investment and a disproportionately high rate of accumulation, the effectiveness of the use of fixed assets has been seriously impaired. For example, in the allocation of fixed asset investment to the three principle production sectors, namely agriculture, light industry and heavy industry, in the past we excessively and absolutely emphasized the priority of growth for heavy industry and the production of the means of production, and to a certain extent neglected the corresponding investment for agriculture and light industry. Again, within heavy industry, emphasis was put on the processing industry and inadequate attention was paid to basic industry. The same is true of manufacturing and repairs. The former was emphasized and the latter neglected. This resulted in producing very weak links which persisted right up to the present in such departments as energy,

the raw material industry, communications, transportation, and so on, impairing severely the full utilization and rational use of our fixed assets. As indicated by the practices of 30-odd years, to account for the efficiency of our national economy we must first of all account for proportion and balance. Only by achieving balance and good proportions can we gain speed and effectiveness. Only with appropriate proportions of the fixed capital asset investment, can the socialist expanded reproduction be really stimulated and be successfully carried on, and efficient use be made of the social fixed assets. Otherwise, the result can only be high investment with low efficiency and the vicious circle of more investment to be followed by more disorder, more disorder to be followed by yet more investment, and more investment to be followed by greater disproportion requiring more investment.

III

Under the condition of the socialist planned economy, the state's guiding principle, policies, and strategic decisions concerning economic development reflect not only the government's understanding of the conditions of the natural resources, economic technology and the actual production force of the country, but also the degree of understanding of the laws of social reproduction and the direction in which the development of production should be encouraged. Therefore, the guiding principle of the economic development of the country and the fixed asset development plan reflecting the guiding principle are closely related to the effectiveness of the use of the social fixed assets. Such a relation has been frequently and very obviously demonstrated in the experiences of the socialist economic construction of our country.

For example, the guiding principle for our economic work, "take steel as the key link," has seriously weakened the investment effect of capital construction and the effectiveness of the use of social capital assets.

Another example is the economic construction principle of simultaneously undertaking small, medium, and large-scale enterprises as well as indigenous and foreign methods which was originally suited to the specific conditions of our country. It is both a long-term strategic guideline, conducive to giving full play to the backbone function of the modern large industries in the national economy and to the function of the existing base of industrial technology. It makes full use of natural resources and other existing production conditions and will realize step-by-step the modernization of social production and production equipment. However, for many years the implementation of this correct guideline has been interfered with by "leftist" and rightist deviations as the result of repeated reversals of our understanding of this guideline as well as certain overintensive practices in our economic behavior. This also greatly harmed the effective use and formation of the social fixed assets. Frequently, when we were inclined to follow the "large and complete" policy, unduly concentrating on advanced, new, and large production equipment, emphasizing only new construction to the neglect of reconstruction and expanded construction of old equipment as well as of the technological

transformation of the existing equipment, this adversely affected the use of the old industrial base, the development of the medium and small-scale enterprises, and the effectiveness of the use of production equipment of diverse technological standard. Conversely, whenever we underestimated the backbone role played by the modern large-scale enterprises and blindly developed the medium and small-scale enterprises, or went to extremes of pursuing the small to the exclusion of the big, or the indigenous to the exclusion of the foreign, the effectiveness of the use of advanced production technological equipment, the improvement of science and technology, and the gradual modernization of production equipment would be unfavorably effected.

With respect to the national economic plans and the concrete economic policies such as the investment plan for fixed assets, the policy of distribution and use of fixed assets (for example taking possession and making use of the assets and transferring assets without awarding compensation) and so on, they would produce an even more direct impact on the effectiveness of the use of fixed assets. It is true that many instances of this kind can be found, but in the economic life of our country the formation and the efficient use of fixed assets have been more adversely affected by the repeated changes of certain investment plans and the unscientificness and instability of certain economic policies.

IV

In order to find a solution for the above-mentioned problems, to improve the low-efficiency and medium-efficiency investments to high-efficiency investments, and to eliminate ineffective investments, thereby ensuring efficient use of the fixed assets, from now on what practical and realistic measures should we adopt in the investment of social fixed funds (assets)? It is my belief that the following points must be well attended to.

First, in consideration of the situation as a whole, with the exception of the new production departments and new enterprises that must be opened up from now on the new and additional needs for investment in the fixed assets of the existing production departments and enterprises must be approved in the light of the fulfillment as a prerequisite of full utilization of the existing production equipment and tapping the potential production force through technological transformation. We must resolutely overcome the irrational behavior of undertaking new construction with idle production capacity untapped at the same time and casting away the old facilities once the new ones are at hand so that both the new and old facilities would be rationally and efficiently used. I suggest that when the departments and enterprises apply for new, additional investment henceforth, a detailed report must be attached indicating the level of utilization of the existing technological equipment, the state of affairs of tapping the latent production force, of carrying on reform and transformation, the production capacity already at hand and attainable in the future. All this must be evaluated in relation to the overall balance, duly checked and assessed by the departments concerned, before considerations can be made for extending to them capital construction loans and investment funds.

Second, from now on, aside from keeping to the principle of keeping in line with our capability and making overall plans with due consideration for all factors concerned in respect to the amount of social fixed capital investments, regarding the distribution and use of investment, the state must implement the principle of giving precedence to production over capital construction and to tapping potential over undertaking new construction, by taking the best proportion in the development of our national economy as the basis, taking overall planning as the foundation, the strengthening of the weak links of the national economy as the emphasis, and the formation and effective use of the fixed assets as the criterion. We must do our best to overcome and be very careful to prevent the abnormal development of the production capacity of the various departments as well as work strictly in conformity with the requirements of the law of social reproduction in order to avoid damaging the effective use of fixed assets. With the condition of possessing a foundation of industrial technology of certain strength, at present and in the future we should put the emphasis of investment on the effective use and the technological transformation of the existing production equipment. Priority, more than ever, should be given to filling the gaps, bringing into alignment and forming complete sets of equipment in regard to the existing production capacity. This is not only a way for saving construction funds, but also a reliable path for developing the current production and stimulating the modernization of the technological equipment of our country.

Third, we must create the conditions step by step for the quickest way to formulate the medium-term plans for the development of our national economy which can be taken as the basis and criterion for making the social fixed asset investments according to plans, with targets and emphasis, and in good proportions. This will facilitate the maintenance of relative stability and continuity of the investment plans and the economic guidelines and policies concerned. It will also be favorable to ensuring good results in the formation and effective use of fixed assets. With the guidance of a realistic and scientific medium-term plan, there will be a basis for reliance and a clear direction for our efforts in the formulation of the short-term plans of the social fixed assets, in the drawing up of the yearly plans, in the analysis of the structure and distribution of production force in terms of macroeconomics, and in the comparative program accounting and performance of the construction projects. In this way, we may commit less mistakes in rashness, hasty advances, and giving wrong orders.

For the purpose of promoting the development of science and technology and the gradual realization of the modernization of the production equipment of our country and for the purpose of providing regulations for the investments of fixed assets in our country, the state should also in the quickest way possible formulate technological policies and investment laws suitable for the conditions of our country. It can be expected that a realistic and scientific technological policy will give forceful impetus to the modernization of the technical equipment of our country, the timely technological renewal of the fixed assets and the technological transformation of the existing production equipment. On this basis, with the continuous improvement of technology in regard to the means of labor, its efficiency of use will be further enhanced. With the formulation of investment laws, great benefits will be gained in respect to guaranteeing by

law the agreed investment yields and tracing the economic responsibilities in making the fixed asset investment, and to our great efforts to bring about efficient use of the construction funds and the saving of inputs.

Fifth, full use must be made of the economic levers such as taxation, profits, interest rates, and so on, for the purpose of strengthening the assessment of the results of the social fixed asset investments as well as promoting the rational and effective use of social fixed assets. For example, higher lending rates should be charged for loans of such capital construction projects that failed to complete construction, to begin operation and to repay principal and interests on time; economic sanctions should be imposed and compensation payments according to contracts be enforced, and legal recourse as to responsibilities be taken against the departments and personnel that are responsible for the complete engineering failure of certain investment projects of major engineering mishaps without good explanations as well as for the failure in completing sets of facilities over a long period of time causing great economic losses; as for those projects which started operation ahead of schedule, especially those enterprises which supply surplus products to the state ahead of schedule, preferential treatment should be given to them along the line of profitsharing and reward policies.

Sixth, we must strengthen the assessment and examination of the results of investments, especially those of the formation of fixed assets and the effectiveness of the use of newly added fixed assets. Included in these are the establishment and improvement of the system of scientific indicators for gauging the examination of the investment results and the effectiveness of the use of newly added fixed assets as well as measures for economic rewards and penalties. We should particularly emphasize the comparative analysis of the expected and actual effectiveness of the use of newly added fixed assets. We should effectively change the abnormal phenomena of striving only for fixed asset investments with regard to the formation and the effectiveness of the use of fixed assets, of only counting the number of projects completed without reference to the number of projects in operation (or in use), of stressing only use without reference to effectiveness and benefits, and emphasizing only the expanded reproduction by extension to the neglect of expanded reproduction by intension. We should link together directly the examination of the effectiveness of the use of fixed assets and the economic benefits of the departments and enterprises which supervise, examine and make economic assessment of the effectiveness of the use of production equipment in the light of the rights, responsibilities, and benefits concerned, and put the production units in such a position that in making use of the fixed assets they are subject to economic pressure externally as well as gaining economic motive force internally.

CSO: 4006/323

ECONOMIC MANAGEMENT

PRINTING CALENDARS AS GIFTS AT PUBLIC EXPENSE PROHIBITED

Beijing BEIJING RIBAO in Chinese 18 Dec 81 p 1

[Article by correspondent Dun Lian [2415 6647] and Fang Sheng [2455 3932]: "The Unhealthy Tendency of Printing Wall Calendars at Public Expense for Forming 'Underhand Connections' Should Be Checked; Strong Measures Adopted by Foreign Trade Bureau and Mass Supervision Invited"]

[Text] Since the beginning of this year, the party organizations of all departments at various levels under the municipal Foreign Trade Bureau have taken strong measures to enforce the rulings of the higher authorities on checking the unhealthy practice of printing wall calendars at public expense.

Last year, because of insufficient attention from the leadership and the lack of strong measures, the departments under the municipal Foreign Trade Bureau did not resolutely implement the rulings of the higher authorities and took the liberty of printing huge quantities of wall calendars. A considerable portion of them were either used in forming "underhand connections" and doing personal favors, or sold at low prices or given away to the workers and staff members of their own units. This was a great waste and encouragement to unhealthy tendencies, and liable to produce unfavorable repercussions among the masses. This year, after summing up these experiences, these departments have ruled that there will be no more printing of wall calendars by any unit under the bureau. On 18 March, the party organization of the bureau promptly relayed to all units the "Notice Concerning Printing 1982 Calendars as Gifts to Outsiders" from the Ministry of Foreign Trade, and called on all units to comply with this notice, reiterating that they are not permitted to use public funds for printing wall calendars or desk calendars. The financial and accounting departments will exercise the required supervision, and violations will be severely dealt with. The bureau also conducted many follow-up checks. In the middle of September, after studying the "bulletin" issued by the municipal party committee on 9 September describing how the "Five Stresses and Four Points of Beauty" inspection groups under the First Service Bureau were severely dealt with for taking "privileged meals," the party organization listed "the prohibition of the use of public funds for printing calendars to be used as gifts" as one of several measures to check unhealthy tendencies. These measures were publicized and the masses were invited to exercise their supervision. Up to yesterday, according to investigations by the discipline inspection group, there were no signs of the use of public funds for printing 1982 calendars among the departments under the municipal Foreign Trade Bureau.

9411

CSO: 4006/243

FINANCE AND BANKING

OVERFULFILLMENT OF GUANGDONG'S 1981 REVENUE PLAN REPORTED

Guangzhou NANFANG RIBAO in Chinese 7 Jan 82 p 1

[Article by Li Sensheng [2621 2773 4141]: "Guangdong's 1981 Financial Revenue Plan Overfulfilled"]

[Text] The financial revenue plan for 1981 in the province has been overfulfilled.

By the end of December 1981, according to preliminary statistics compiled by the provincial financial bureau, the total financial receipts in the province amounted to 4,013,000,000 yuan, being 2.8 percent or 110 million yuan above quota, and a 7.6 percent increase over that of last year. According to the budgets of 13 prefectures (municipalities) and provincial units, four municipalities--Guangzhou, Shenzhen, Zhuhai and Shaoguan--and six prefectures--Huiyang, Shaoguan, Foshan, Shaoqing, Zhangjiang and Shantou--in addition to some provincial units overfulfilled their annual plans. Shenzhen and Zhuhai municipalities achieved a more than two-fold overfulfillment of their plans. In 1981, the financial expenditures were 3.8 percent above the plan, or an increase of 8.9 percent above last year. The province had more revenues than expenditures, resulting in a small credit balance.

In the past year, the party committees and government bodies and departments at various levels in the province conscientiously implemented the lines, principles and policies of the 3D Plenary Session of the 11th Party Central Committee and enforced the special policies and flexible measures approved by the central authorities, which mean an open-door policy in dealing with foreigners, more flexible measures in dealing with our own people, and greater decision-making power for the lower levels. By this means, the economy in the province has been able to continue its rapid development in the readjustment period. The total industrial output value target was reached half a month ahead of schedule. There were brisk markets in the cities and the countryside, and the taxes paid by the trades engaged in light industry, commerce, transportation and the food service were increased by a fairly wide margin. Along with the development in our foreign economic relations, custom's share of the tax collection has also increased by a wide margin. All these increases have provided favorable conditions for our financial plan to be overfulfilled.

Last year, the province adopted a system of financial management under which all prefectures, municipalities and counties had to "cook meals in separate kitchens." The units at all levels were free to spend more provided they earned more, or to spend less if they earned less, as long as could maintain a balanced budget. This system greatly encouraged all leading party and government organizations in attending

FINANCE AND BANKING

SHANGHAI OVERFULFILLED 1981 FOREIGN EXCHANGE EARNINGS QUOTA

Shanghai JIEFANG RIBAO in Chinese 3 Jan 82 p 1

[Article by correspondent Li Qing [2621 1987]: "Shanghai Overfulfilled Foreign Exchange Earnings Plan Last Year With Nontrade Earnings Exceeding 400 Million Dollars"]

[Text] As revealed by the Shanghai branch of the Bank of China, the port of Shanghai was able to maintain a certain rate of increase in its foreign exchange earnings during the readjustment period in 1981. These earnings were 13.4 percent above quota and were better than expected. Nontrade earnings in foreign exchange continued to increase and for the first time exceeded \$400 million. Calculated in comparable prices, the rate of increase was 15.5 percent.

In the past year, all trades in the municipality strongly supported the export trade and made great efforts to increase production of goods for export. Despite a sharp reduction in the sources of goods from other localities, these trades provided goods worth nearly 10 billion yuan, or 25 percent over that of the previous year, for the export trade. Thus the volume of exported commodities was even more than in the previous year.

The proportion of nontrade foreign exchange earnings of more than \$400 million to the total foreign exchange earnings in the municipality was raised by 2.5 percent. This increase reflects the increased sources of, as well as the enthusiasm in foreign exchange earnings. This enthusiasm was manifested not only in such main foreign exchange earning units as the port, water transportation, guest houses, hotels and friendship stores, but also in news agencies, radio stations, TV stations, bookstores, drugstores, restaurants, parks, yachts and exhibitions, all of which have tried hard to do their part in keeping the state's foreign exchange earnings and spendings balanced by tapping the potential in the municipality.

9411

CSO: 4006/252

to their financial and economic work. All state-run enterprises engaged in industry, transportation, commerce, or in agricultural, forestry and aquatic products in the province adopted the system of responsibility for profits and losses in various forms according to different conditions, and the practice of "eating from the same pot" was initially changed. This change has greatly aroused the enthusiasm of the broad masses of cadres and workers in increasing revenues and reducing expenses. They are now attentive to the business results of the enterprises and are bringing into play their spirit as masters of their own affairs in financial management.

Since last May, investigations have been conducted on the taxpaying units in the province, and tax evasions involving more than 80 million yuan were brought to light. Some 50 million yuan out of this amount has already been deposited in the treasury.

In the past year, the financial, taxation and banking departments, with their strengthened concept of production, made great efforts in promoting production and clearing the channels of commodity circulation. As long as their authorities and financial resources permitted, they provided every support in the way of funds or other measures according to established policies or systems for anything that was advantageous to the readjustment policy, the development of production and the increase of revenues. The financial and banking departments at various levels also extended various special loans to support the enterprises in tapping their potential and carrying out technical renovation and transformation, in expanding their productive capacity and in increasing their output and revenue.

Some relevant provincial departments pointed out: Although the revenue plan for the province in 1981 was overfulfilled, there are still some problems, mainly because the creation of revenues from various sources is uneven, the production costs of industrial enterprises have been raised, losses have increased, and the profits to be turned in to the state are reduced. Development is uneven among different regions. In those regions originally having a weak economic foundation, the revenues are not enough and these regions have difficulties with their expenditures under the system of "cooking meals in separate kitchens." Some enterprises have inflated production costs, held back profits that should be delivered to the state, and diverted these funds to other uses. There have also been tax evasions, illegal demands for "rebates" and "commissions," and indiscriminate payments of bonuses. The financial management of some enterprises is chaotic and their economic results poor. All these defects should be eliminated through more efficient management.

9411

CSO: 4006/252

FINANCE AND BANKING

IMPROVED METHODS OF ACCUMULATION, SPENDING BY BANKS URGED

Tianjin TIANJIN RIBAO in Chinese 29 Dec 81 p 3

[Article by Wang Zhou [3769 5297]: "Banks Should Carefully Study the Methods of Accumulation and Spending"]

[Text] In his report on the work of the government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang laid down 10 principles for economic construction in our country. One of the principles stresses the need to "raise more construction funds and use them thriftily through improved methods of acquisition, accumulation and spending." In their function of mobilization and redistribution of social funds, the banks should resolutely implement this important policy by studying the methods of accumulation and spending and by supporting the production and circulation departments in the acquisition of funds, and thus continue to improve the economic results in our national construction.

The change in the system of economic management has resulted in a decrease in our national budgeted funds, while the extrabudgetary funds of localities and enterprises have been correspondingly increased. We are positive that suitable delegation of financial power to the lower levels is a correct move which can help arouse the enthusiasm of the localities and enterprises for increasing both production and income, as well as state revenues, and eliminate the defects of overconcentration of power of the past. However, there is now the problem of reduced state funds and increased social funds. It is estimated that extrabudgetary funds not amount to half of the total state revenues in the country. At the end of last year the deposits of enterprises in the banks totaled 57.3 billion yuan, while in October this year the savings deposits of the urban and rural population amounted to 49.4 billion yuan, with another 20 or 30 billion yuan in the hands of these people. The wide margin of increase represents quite a financial potential. The banks should stress the accumulation of funds, making every possible effort to accumulate these funds for use in the four modernizations. There are many ways to raise funds. First, for example, more savings facilities can be set up with simplified procedures for the prospective depositors. Second, transferable fixed deposit certificates in large denominations can be issued. Third, patriotic construction bonds can be floated at appropriate times, and so forth. Ideological and political work and high interest rates must be used to arouse the enthusiasm of enterprises and workers for depositing their money, which can be used to support the four modernizations.

Banks should also pay attention to the method of spending so that the funds loaned out can bring about the best economic results. In this connection, we should particularly stress the following points, to be carried out under the guidance of state planning: First, strong support should be given to production of light industry. This production is closely related to the people's urgent needs for consumer goods. This production will alleviate the contradiction between demand and supply, and improve the people's livelihood, as well as help in the withdrawal of currency, the stabilization of prices, and the increase of state revenues, providing more job opportunities and bringing about an upswing in heavy industry. In extending loans, therefore, the banks should strongly support light industry so that a relatively high rate of its development can be maintained. Second, strong support should be given to the technical transformation of existing enterprises. Giving full play to the existing enterprises through technical transformation is one way to expand reproduction, with intensiveness as the main factor. This method of construction, which costs less money, but yields quicker and better results, is the key to the healthy growth of our national economy. Technical transformation of existing industrial and transportation enterprises will create new production capacity, solve the problem of heavy industrial enterprises operating under capacity, enable the present economy to maintain a certain rate of growth, and raise our industrial production technology to a higher level. This will create favorable conditions and accumulate resources for the modernization of the entire national economy. Third, the rate of turnover of funds should be speeded up so that they can be used to greater advantage. At present, industrial and commercial enterprises have the use of a lot of funds at a slow rate of turnover, resulting in serious waste. These funds do not produce satisfactory results. To speed up the turnover of funds, we should shorten the process of commodity production and circulation and reduce the stocking of materials to be used for production. Therefore, the banks should adhere to the principle of giving preferential support to deserving units. In extending loans, the bank should give priority to those enterprises which are operating under efficient management, producing easily marketable goods and keeping a reasonable stock. For enterprises operating under the reverse conditions, the banks should tighten their control of loans and, if necessary, apply credit sanctions. Apart from this, the banks can handle monetary trusts and insurance and carry out experiments in acting as purchasing agents in an effort to clear the channels for the circulation of funds and materials, to serve production and construction and to revitalize the economy.

Thanks to strong support from the departments concerned in the municipality, the People's Bank of Tianjin has carried out worthwhile activities during the period of national economic readjustment. By the end of June 1981, we had granted loans totaling 140 million yuan and supported 351 enterprises in tapping potential and carrying out technical renovations and transformation. A total of 177 projects so financed are already in full or partial operation, and have increased the output value of 360 million yuan. The taxes paid and the profits turned in to the state have been increased by 80 million yuan, while 36 million yuan have been returned to the bank in redemption of loans. The majority of the remaining projects are expected to be completed in 1 or 2 years. In 1980 and 1981, the municipality started 149 projects in two groups in support of light and textile industries in the form of special loans totaling 370 million yuan. When these projects are all in operation, the annual output value will be increased by 270 million yuan, and

the taxes and profits for the state will be increased by 550 million yuan. These loans will help to insure a certain rate of industrial growth, an adequate supply for the market, and an increase in revenue for the municipality. Although it has been only 2 years since the bank started granting short- and medium-term loans for equipment and other special uses, we have already discovered a new way to improve the economic results. In the past, the ratio of bank loans to newly added output value was generally 1:3; now it is 1:5, indicating a great rise in investment returns. In the past it took 3-5 years for loans to be redeemed; now, it takes only an average of 2 years. The return of funds is now much faster. This means less investment and faster and better returns. Hereafter, we should continue to emancipate our minds, conduct further explorations in practice and continue to strive for better economic results.

9411

CSO: 4006/243

FINANCE AND BANKING

BANKS' ROLE IN ECONOMIC CONSTRUCTION DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 9 Jan 82 p 3

[Article by Wu Dakun [0702 1129 3824], member of CPPCC and Standing Committee member of Central Committee of China Democratic National Construction Association: "How Should Financial and Banking Departments Implement the Sixth Principle of Construction"]

[Text] When I was attending the Fourth Session of the Fifth National Committee of the CPPCC, I also had the opportunity to listen to Premier Zhao Ziyang's report on "The Present Economic Situation" and "Principles for Future Economic Construction" delivered at the Fourth Session of the Fifth National People's Congress. I was greatly inspired by his report. Proceeding from the actual conditions in our country and using Mao Zedong Thought as guidance, Premier Zhao laid down 10 principles for future economic construction. These principles are entirely consistent with our national conditions. If we follow these principles, we will be able to blaze a new trail for Chinese-style modernizations.

The important task before us now is to work out a series of principles and measures to insure the implementation of these 10 principles. I would like to present some of my views on the way for financial and banking departments to implement the sixth principle regarding "raising more construction funds and using them thriftily through improved methods of acquisition, accumulation and spending."

I. Last year, we achieved a basic balance between national revenues and expenditures, but the latent financial crisis is by no means over, and the balance is unstable. To preserve this balance, further efforts are required.

Why is it said that the present balance is not stable? The reason is that we are still treating the curtailing of expenses as our only concern. The effect of this method is limited, and we cannot continue to use it again this year. Furthermore, the expenditures should be appropriately increased, and we should stress the discovery of new resources. In other words, we must carry out national economic readjustment, restructuring, consolidation and improvement in order that enterprises can increase their output and financial departments can increase their revenues. The financial departments, on their part, should strengthen the function of the customs, restore some old taxes and add some new ones. There should be state monopoly over tobacco and liquor, and all forms of tax evasion should be eliminated so that we can collect all the money that is due. This is one aspect of the question.

Furthermore, for 30 years, we have copied the Soviet system of financial management and have financed capital construction with state allocations. Practice has shown that this method is unsatisfactory and that it must be changed. Capital construction so financed costs too much (a lot more than what is required for culture, education, public health and national defense). Since the money spent on capital construction is interest free and is not even repaid, the economic results are poor and the waste is serious. At present, some localities have begun to use loans instead of allocations as investment in capital construction, and this method has shown better results. The Ministry of Finance should allocate more funds for the People's Construction Bank of China and let the bank use the funds as loans to construction units with interest (low interest), to be redeemed at a stipulated time (the duration of loans can be either long or short). In some developed capitalist countries, budget allocations generally consist of two parts: one for investment in capital construction, and the other for administrative (education and military) expenses. The administrative expenses are under the exclusive control of the financial departments. If the investment in capital construction, which accounts for the major portion of the budgeted expenditures, is transferred to the control of the construction bank, waste can be avoided and the economic results can be improved. Of course, the construction bank must strengthen its professional and technical force and conduct feasibility studies on investments in capital construction. If such a method is adopted, a stable balance between our financial receipts and expenditures can be realized.

II. The promotion of banking and savings deposits are the urgent needs of the moment.

First, the People's Bank of China should definitely be changed into a central bank, and at the same time, other specialized banks, such as savings banks, industrial and commercial banks and so forth, should be formed.

Attracting more savings deposits, floating bonds, handling trusts, and raising construction funds by every possible means are the main tasks for the specialized banks other than the central bank. The central bank should closely cooperate with the Ministry of Finance, but it should independently issue banknotes, draft financial policies and conduct economic investigations.

Stalin did not attach much importance to the development of socialist commodity, and therefore he paid little attention to the development of banking, with "large finance and small banks" as the result. Of course, we cannot have large banks and small finance today. The relationship between finance and banking should be on an equal footing. It should be clearly stipulated that the right of issuing banknotes belongs to the central bank, which, in collaboration with the planning and economic departments in charge, should work out plans, based on the objective needs in economic development, for the amount of currency to be issued every year or every quarter. These plans should be submitted to and approved by the Standing Committee of the National People's Congress before the banknotes are issued. Hereafter, the Ministry of Finance and the other departments should also apply to the Standing Committee of the National People's Congress for approval to obtain foreign loans, and should state in the application why the money must be borrowed and how the money will be used. Approval must be obtained before borrowing. This will help prevent extravagance. Any debt incurred without approval by the NPC Standing

Committee will have to be paid by the borrower himself. The central bank should also be responsible for formulating the state's monetary policies. All specialized banks should be controlled by the central bank directly and not by any other organ on the central bank's behalf.

All the banks should add more departments and personnel to attract more savings deposits and to promote the four modernizations through loans. In Japan, the postal and telecommunications offices are authorized to handle savings deposits. Our savings organs should be set up in every production brigade and production team, instead of stopping at the commune level. There should be such organs wherever there is postal service. If this plan can be realized, then the employment problem for youths throughout the country can be solved. There are now more than 2,000 counties and not less than 10 million production teams in the country. If savings deposit organs are set up in all production teams, at least 10 to 20 million people are needed. Before being employed, the intellectual youths can go through training in different groups at intervals. Besides bookkeeping, they can also learn accounting, statistics, foreign languages and so forth, according to the actual requirements. While handling savings deposits, they can also undertake the tasks of teaching literacy classes or conducting economic investigations and study. The revenues thus gained should be more than enough to support these unemployed youths. Savings deposits can take many forms, such as savings for the purchase of durable consumer goods or for building houses, current savings, fixed savings, overseas Chinese patriotic savings, savings for the payment of wages on behalf of employers, prize-winning savings and so forth.

Both finance and banking play an important role in the redistribution of national economic revenue. The State Planning Commission should work out the national plans jointly with the Ministry of Finance and the central bank. Financial commitments should be based on the amount of funds possessed by the ministry and the amount of deposits in banks that can be utilized. This will be a more practical way to work out plans for the development of the national economy. To truly accomplish this, restructuring of the financial system is necessary. As a result, it will certainly help speed up the four modernizations and preserve a more stable balance between financial receipts and expenditures.

9411

CSO: 4006/243

FINANCE AND BANKING

MEASURES TO IMPROVE FINANCIAL SITUATION PROPOSED

Beijing ZHONG CAIMAO BAO in Chinese 5 Jan 82 p 3

[Article by Ren Tao [0117 3447] and Lu Baifu [7120 4102 3940]: "Strive for a Fundamental Improvement in the Financial Situation"]

[Text] In his report on the work of the government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang pointed out that the primary goal of our country during the Sixth 5-Year Plan period is to strive for a fundamental improvement in our country's financial and economic conditions. In other words, the financial problem will be a crucial one during the Sixth 5-Year Plan. As a result of 2 consecutive years of huge financial deficit, in 1979 and 1980, and the further implementation of national economic readjustment, the various links of social reproduction have not yet formed a normal cycle, economic results are rather poor, the growth of production is slow, and financial revenues cannot be rapidly increased. At the same time, because of the readjustment of the economic relationships among agriculture, light industry and heavy industry as a means of stabilizing the economy, the development of science and education and the improvement of people's material and cultural life to an appropriate extent, our financial outlays must be gradually increased every year. Therefore, how to preserve a basic balance in financial receipts and expenditures and to strive for a fundamental improvement in the financial situation has become an economic task of prime importance. Then, what is our financial situation now after all the efforts made in 1981? What will be trend of development in the next several years? This article will attempt to present some views on these questions.

The Sixth 5-Year Plan for our national economic development began in 1981, which also marked an important turning point in the national economic readjustment. Thanks to the united efforts of the whole party and the people of the whole country, the implementation of the correct policy decision by the work conference of the Central Committee in December 1980 concerning further readjustment of our national economy has yielded remarkable results after 1 year's intensive work. The whole economic situation is now developing in the right direction.

The party Central Committee and the State Council adopted a series of resolute measures in 1981. First, the investment in and scale of capital construction were drastically reduced. Second, the production of consumer goods was vigorously promoted so as to increase commodity supplies on the market, to stabilize

retail prices and to withdraw currency from circulation. Third, the enterprises' bank deposits were frozen, bank credit was greatly curtailed and consumption funds were strictly controlled. Fourth, efforts were made to encourage increased income and reduced expenditure and to guard against reduced revenue and increased expenditure. Financial outlays, including military and government expenditures, were curtailed. Because of these measures and active efforts in various quarters, we were able to achieve a basic balance between revenue and expenditure. This is of great significance in further strengthening political and economic stability throughout the country and inspiring all people with confidence.

Of course, we should also be soberly aware that despite the basic balance between revenues and expenditures in 1981 and the alleviation of the latent danger resulting from a long period of economic imbalance, this danger has not been basically eliminated. In the next several years, therefore, we still cannot afford to treat the development of our financial situation lightly.

Although the concrete measures to be adopted in 1982 and the next several years for a balanced budget may not be exactly the same as in 1981, the key problem in readjusting and stabilizing the economy still calls for continued efforts to increase revenues and reduce expenditures. If we cannot make any new breakthrough and progress on the financial problem, it will be difficult to expect any major economic development, and the results we gained through the readjustment in 1981 may even be jeopardized. Therefore, we must pay particular attention to the consolidation of these gains and redouble our efforts to strive for a basic improvement of the financial situation.

Judging from the present situation, if we want to strive for a fundamental improvement in the financial situation, we must continue to translate the spirit of the Central Committee work conference held in December 1980 and the "Resolution" of the Sixth Plenary Session of the 11th Party Central Committee into action; further readjust, restructure, consolidate and improve the national economy; and make great efforts to tap potential in various quarters and to improve the economic results as the central task of our economic work. By increasing production, improving the economic results and readjusting the policies of distribution, we will be able to increase state revenues and continue to maintain a basically balanced budget. To be specific, we should carefully attend to the following tasks:

First, we should promote production, make every effort to improve the economic results by increasing both output and income. On the basis of accelerated development in agriculture and light industry, we should continue to readjust the orientation of service in heavy industry, speed up industrial reorganization and enterprise readjustment, and put agriculture, light industry and heavy industry on a foundation of mutual promotion and coordinated development. Only thus can we truly increase both output and income, and avoid a reduction of revenue even though the output is lowered. We will then be able to increase the financial revenues and build the state finances on a more firm economic foundation. There are now many sources of revenue in both urban and rural areas, and we should direct our efforts toward opening more urban and rural markets. In solving the financial problems, we must stress economic results and pay great

attention to the readjustment of enterprises. An enterprise readjustment campaign as a means to make greater contributions to the state should be launched on a nationwide scale. The chaotic management of enterprises, the laxity of leading bodies and of labor and financial discipline and the appalling waste of financial and material resources must be quickly changed. Financially, enterprises form the key link in increasing state revenues in the form of either taxes or turned-in profits, and in reducing waste and losses by plugging the loopholes. Those enterprises where the consumption of energy and raw and semifinished materials is high, the products are of poor quality and the economic results are poor along with enterprises engaging in redundant production or producing goods which are already in excessive supply, should be subjected to "closure, suspension, merger or renovation" so that the increase of both output and income among advanced enterprises can be assured. In coordination with readjustment, we should curtail the circulating funds of enterprises, take a careful inventory of the goods in stock, dispose of the overstocked goods and expedite the turnaround of funds. If the circulating funds throughout the country can be reduced by an average of 1.5 percent, the state will be able to save nearly 5 billion yuan. At the same time, we should be particularly careful in improving the economic results of capital construction. Most of the major construction projects now require a construction period of more than 5 years, and one-quarter of them even require more than 10 years. The construction prices generally are double or triple those in the First 5-Year Plan. If the construction periods can be shortened by 1 year, the government will be able to reduce its outlays by more than 5 billion yuan and increase its revenues by more than 4 billion yuan in the form of taxes or turned-in profits. We can see many difficulties in increasing state revenues, but there is a good potential for this increase.

Second, we should continue to cut down administrative expenses and strictly control the aimless inflation of consumption funds. Maintenance of a balance between the total accumulation and consumption funds on the one hand and the total national revenues on the other is a prerequisite for a balanced financial budget. In addition to increasing both output and revenue, another way to achieve a balanced financial budget is to adhere to the principle of doing what is within our capability, and to distribute the national income rationally. Accumulation funds must be controlled and the scope of investment in capital construction must be kept within bounds. In capital construction, it is now easy to control the allocation of state funds, but we must guard against the inflation of credit and self-raised funds. We should exercise even stricter control over the growth of consumption funds. At present, there are more than 100 ministries, commissions, banks and bureaus in the central state apparatus, with the corresponding administrative organs also numbering more than 100, in various provinces, municipalities and autonomous regions. This is not only an overlapping of functions, but it also calls for increased financial outlays. We must resolve to have "better troops and simpler administration" in order to increase our efficiency and reduce our administrative expenses. When military and government expenses, allocations for capital construction and credit are all under control, consumption funds are increased mainly because of the payment of bonuses and negotiated or increased prices for agricultural sideline products. In distribution, therefore, we must firmly adhere to the principle of considering state interests first and the interests of enterprises and individuals later. For the improvement of workers' livelihood, we must comply with the basic rule that the increase in

bonuses and wages cannot be more than the increase in labor productivity, while the increase in income for workers and peasants should mainly depend on the increase in production. This is an objective law independent of the will of people. We must follow this law, or our economy cannot remain stable.

Third, we should continue to consolidate the fruits of victory through the issuance of currency mainly for economic reasons. The credit and currency required for the procurement of agricultural products should be freely available in full amounts. However, we must also pay attention to the withdrawal of currency through sales of commodities and saving deposits, which have been proved to be effective, and continue to absorb the currency from the market. We must strive for a basic balance between the supply of consumer goods and the growing social purchasing power. We should also continue our strict control over the market and keep the scope of negotiated prices and the commodities to be sold at negotiated prices within limits so as to preserve basically stable market prices. State commerce and the supply and marketing cooperatives should play an active role in clearing the channels of circulation and in controlling commodity prices. We should continue to bring into play the important role of banks in accumulation and transfer of construction funds. The granting of bank loans must be based on the source of funds and three other factors, namely, plan, material security and on-time repayment, as a precaution against credit inflation.

Fourth, we should strengthen financial supervision and financial legislation. We should gradually set up and strengthen the auditing bodies at various levels with responsibility for auditing and supervising various economic organizations. Financial management should be further strengthened along with the strict enforcement of financial and economic disciplines so as to resolutely combat all illegal acts, such as holding back funds which should be delivered to the state, diverting these funds to other uses, falsifying statements of account, or transferring funds to other parties. Financial legislation should be speeded up, starting with some statutes on bookkeeping, production costs, depreciation of fixed assets and taxation, as well as other special regulations on finance. At the same time, we should continue to bear the overall situation in mind and take the initiative in sharing the state's burden. In the distribution of financial power and resources, we must give simultaneous consideration to the interests of the state, the localities and the enterprises. The localities, enterprises and people throughout the country should continue to support the state in all economic and administrative measures carried out to achieve a balanced budget. They should also be meticulous in calculation and strict in budgeting, and use extrabudgetary funds or self-raised funds as much as possible in order to help alleviate the financial pressure on the state.

In short, if we can improve the economic results of the whole society as our starting point as well as the end result of our economic work and enliven the entire national economy beginning with the development of production; if we can at the same time exert efforts in handling the relations of distribution and the utilization of funds; and if we can strengthen business management, clear the channels of circulation, and strictly enforce law and discipline, then it is entirely possible for us to bring about a basic improvement in the

financial situation during the Sixth 5-Year Plan. Therefore, from the standpoint of strategic thinking for our economic development, we are confident of our ability to solve the financial problems and there should be no basis for pessimism of any kind.

9411

CSO: 4006/254

FINANCE AND BANKING

ANNUAL REVENUE PLAN OVERFULFILLED AHEAD OF SCHEDULE

Kunming YUNNAN RIBAO in Chinese 29 Nov 81 p 1

[Article by Wang Yongdian [3769 3057 3329] and Shen Chaoda [3088 2600 6671]: "Promote Economic Readjustment, Support Production Development; Province Overfulfills Revenue Plan 2 Months Ahead of Schedule"]

[Text] This year's revenue plan for the entire province was overfulfilled by 2.7 percent at the end of October, 2 months ahead of schedule, an increase of 17.9 percent over the same period of last year.

The overfulfillment ahead of schedule of our province's revenue plan was achieved amid the successful implementation of the readjustment of the economy. To further implement the readjustment of the economy in our province, the provincial party committee and the provincial people's government worked out a series of policies and measures for developing agriculture and light and textile industries, bringing into play the initiative of the broad masses at different levels and in different departments, thus achieving bumper harvests in agriculture, especially substantial increases in industrial crops; considerable increases in the production of light and textile industrial and everyday consumer goods; and further expansion of commodities circulation, thus laying the material foundation for increasing revenue. Taxes from the five categories of tobacco, cigarettes, wines and liquors, sugar, and textiles and printing and dyeing alone reached 5.39 million yuan in the first 10 months, a 46.9 percent increase over the same period of last year. In the process of readjustment, commerce made use of diverse sectors of the economy, multiple circulation channels, and different modes of operation, and reduced the links, thus expanding commodities circulation, so that taxes from retail sales of commodities, temporary operations, and service trades in the first 10 months registered increases of 10.1, 39.1, and 11.9 percent respectively.

Tighter management of revenues and taxes and blocking of "runoffs, spillage, dripping, and leakage." Since the first of this year, all the different levels and departments have earnestly carried out the State Council decision concerning balancing revenue and expenditures, and tighter management of finances. They earnestly checked up on items where revenue reductions or expenditure increases were made beyond proper authority and corrected the improper practices. They insisted on collective discussions and decisions on major items of expenditure. In particular, they made a province-wide check of tax evasions and owing of back

taxes, gave wide publicity to tax policies, reestablished tax-payment discipline all-around, and thus upheld the serious nature of tax laws. An investigation of over 26,000 enterprises in the province revealed a total of 28 million yuan of taxes evaded or owed. Of this amount, 24 million yuan have been paid.

9856

CS0: 4006/271

FINANCE AND BANKING

HENAN MEETING ON ENTERPRISES' FINANCIAL WORK

HK130346 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 10 Feb 82

[Summary] The Henan Provincial People's Government recently held a meeting to hear the report made by the provincial enterprises' financial affairs inspection office on the situation of inspection of enterprises' financial affairs. Attending were leading comrades of the provincial government, including Dai Suli, Li Qingwei, Yan Jimin, Yue Xiaoxia, He Zhukang, (Luo Gan) and Yao Jin, head of the enterprises' financial affairs inspection group of the state council and vice minister of finance.

Dai Suli, Li Qingwei, Yan Jimin and Yao Jin spoke one after another. In discussing the next stage of enterprise financial affairs inspection work, leading comrades of the provincial government emphatically pointed out:

"First, in accordance with the state council's relevant arrangements, we must do well in enterprise financial affairs inspection work from start to finish.

"Second, we must simultaneously inspect, correct and handle problems existing in the enterprises' financial affairs. Regarding the problems arising from the financial affairs. Regarding the problems arising from the financial affairs systems, we must conduct criticism and education and work out a method for correction and improvement. We must handle the relatively serious problems of withholding taxes and profits at will, indiscriminately imposing costs and charges on others and indiscriminately issuing bonuses and subsidies. In particular, we must investigate and strictly handle the problems of retaliation as quickly as possible. We must mete out appropriate punishments to personnel guilty of malpractices for selfish ends, graft, theft and other crimes.

"Third, we must strengthen building the system of enterprises' financial affairs. We must first establish and strengthen economic accounting ideology and stress the economic effect. Moreover, we must put the management of the enterprises' foundation on a sound basis, establish all financial affairs management systems and put them on a sound basis.

"Fourth, we must put the system of democratic enterprise management on a sound basis. The problems which are discovered during initial inspection, reinspection and selective inspection must be reported to the congress of staff members and workers of an enterprise. We must clearly explain to the congress what has been

discovered through this enterprise financial affairs inspection regarding our own unit's experience, existing problems, the causes of these problems what responsibilities the leaders of an enterprise should shoulder and how we should improve in future. We must sum up experiences and lessons and accept supervision by the masses of the staff members and workers. The enterprises must strengthen political and ideological work, penetratingly conduct education for the staff members and workers in taking the state, the collective and the individuals into consideration, promote healthy trends, curb unhealthy trends, encourage progressives, establish righteousness and do well in enterprises' financial affairs."

CSO: 4006/311

FINANCE AND BANKING

BRIEFS

OVERSEAS REMITTANCE INCREASES SUBSTANTIALLY--According to statistics compiled by departments concerned in the provincial government, gratifying results have been achieved in the work of overseas remittance last year, thanks to the earnest implementation of the party's policies concerning overseas nationals affairs. The volume of overseas remittance for 1981 showed a 65 percent increase over 1980, setting a record high in history. In the last 2 years, Shanxi province has consistently ranked among the foremost in the 17 inland provinces and municipalities in the range of increase of overseas remittance. The Taiyuan Branch of the People's Bank of China earnestly carried out the policies for overseas remittance, conscientiously protected the right of ownership and use of the families receiving overseas remittance. The provincial commerce bureau and companies supplying tourist goods and materials have unceasingly improved their work, and worked hard to ensure the supply of goods and materials to be bought with overseas remittance, so that input of overseas remittance has been increasing year after year. To further improve work in overseas remittance, recently the overseas nationals affairs department in the provincial government called a forum on overseas remittance work and listened to suggestions for improvement from representatives of families receiving overseas remittance. [Text] [Taiyuan SHANXI RIBAO in Chinese 11 Jan 82 p 1] 9856

GUANGDONG INDUSTRIAL, COMMERCIAL TAXES--The plans for the collection of industrial and commercial taxes in Guangdong for the current year have been fulfilled ahead of schedule. As of mid-December, more than 2.9 billion yuan had been paid into the treasury. The annual plan was overfulfilled by 2.7 percent, an increase of some 340 million yuan over the same period last year. The increase in industrial and commercial taxes reflects the national economic development in our province. Since early this year, because of the adjustment of the ratio between heavy and light industries, light industry has developed rapidly, followed by increased taxes. Taxes from sugar and tobacco alone were increased by more than 60 million yuan. The increased purchasing power among people further enlivened the market, as shown by the markedly increased retail sales. Taxes from industrial and commercial retail sales also increased by more than 30 million yuan. Furthermore, as a result of intensive checks, tax evasions involving some 80 million yuan have been brought to light and some 30 million yuan out of this amount has been deposited in the treasury. At present, tax cadres in various localities are energetically organizing their work in the busy season in order to increase their collections as a contribution to the socialist four modernizations. [Text] [Guangzhou NANFANG RIBAO in Chinese 28 Dec 81 p 1] 9411

INDUSTRY

MACHINE BUILDING INDUSTRY ADVANCEMENT NOTED

OW140650 Beijing XINHUA in English 1238 GMT 12 Feb 82

[Text] Beijing, Feb 12 (XINHUA)--The Chinese machinebuilding industry has achieved good results in increasing product variety and improving quality in 1981, Vice-Premier Bo Yibo said here today at the current national conference of bureau directors held by the First Ministry of Machine Building.

Bo Yibo said the industry did much better than expected in fulfilling national quotas last year even though output value of the machine-building industry as a whole dropped according to the national economic readjustment plan. Last year total output value of enterprises under the First Ministry of Machine Building was 14 percent lower than in 1980, but exceeded its national quota by 24 percent. The enterprises brought out 1,300 new products and in the process restructured product mix and expanded service scope.

Vice-Premier Bo Yibo summed up last year's experience in the machine-building industry: "First of all we must have the clear aim of serving as many trades as possible and arranging production according to market needs. We can no longer manufacture products that have no market. Secondly, many of our factories can develop a second or third line of products and still fulfil their national quotas. It would be unreasonable to demand that a big factory put out only one line of product, as in the past."

Bo Yibo asserted that from this year on, the machine-building industry would begin to raise output. This year's plan for a five percent increase in output value will certainly be fulfilled, he said.

Technical transformation of existing enterprises is an important strategy in the country's current economic reform, the vice-premier said. Revamping of industries which are closely associated with the machine-building industry will require new equipment from the machine-building factories. Transformation of this industry must, therefore, be undertaken in advance of other industries.

Bo Yibo emphasized that efforts must be made to increase a variety of products and improve quality. The machine-building industry must help other industries to develop the latest techniques. If necessary, equipment can be imported, he said.

The national conference opened on February 6 and will close on February 14.

CSO: 4020/99

INDUSTRY

BRIEFS

CHEMICAL FIBER PRODUCTION--Beijing, 12 Feb (XINHUA)--China expanded production of chemical fibers at a rate of 15 percent for three straight years and reached more than half a million tons in 1981, according to Ling Wu, who is in charge of the chemical fiber bureau under the textile ministry. There are 27 enterprises already operating or under construction, each with an annual capacity of 10,000 tons or more of chemical fibers. The second stage of the Shanghai General Petrochemical Works and the first stage of the Yizheng Chemical Fiber Industrial Company in Jiangsu Province are expected to go into operation in three or four years. By 1985 China will have a yearly chemical fiber capacity of 820,000 tons. In developing the chemical fiber industry, Ling Wu said, China will follow a policy of combining self-reliance with importing technology. The emphasis will be on the former. [Beijing XINHUA in English 0740 GMT 13 Feb 82 OW]

CSO: 4020/99

DOMESTIC TRADE

COMMERCE ECONOMY INSTITUTE DISCUSSES THEORIES

Beijing ZHONGGUO CAIMAO BAO [CHINA FINANCE AND TRADE JOURNAL] 21 Dec 81 p 3

[Report by Su Xuesheng [5685 1331 3932]: "Commodity Circulation Channels--Some Theoretical Problems"]

[Text] The Institute of Commerce Economy under the Ministry of Commerce called a symposium on 16-25 November in Beijing on theories of commodity circulation channels. The symposium concentrated on theories related to commodity circulation channels.

1. Is "commodity circulation channel" a scientific concept?

One view holds that "commodity circulation channel" is a scientific concept belonging to the economic category within the sphere of commodity circulation, since it is linked to the relations of production, reflects economic relations, and has specific economic implications.

Another view holds that "commodity circulation channel" is only a customary usage in professional work and cannot be regarded as a scientific concept in economic theories. Since economic categories are economic relations, in the abstract and "channel" has its "flow of goods" side, it is not entirely a matter of economic relations, so it cannot be said for certain that it is a scientific concept.

2. What is a commodity circulation channel?

The first view holds that a commodity circulation channel is the channel, or "network," passed through by any commodity in circulation. Comrades holding this view express it in three ways: (1) The channel or route and avenue passed through by a commodity from the sphere of production to the sphere of consumers; (2) the passageway through which a commodity, adopting a certain circulation form, purchase-and-sale form, and operations form, moves from the sphere of production to the sphere of consumers; (3) the network through which a commodity circulates from production to consumer. The second view holds that a commodity circulation channel is the process of commodity circulation. Comrades holding this view express it three ways: (1) The course of movement through which the value form and material form of a commodity moves from the sphere of production to the sphere of consumers; (2) the route of movement and economic process of

a commodity from the sphere of production to the sphere of consumers; (3) the entire process whereby a commodity, through purchase and sale, moves from the sphere of production to the sphere of consumers.

A third view holds that commodity circulation channels are links passed through by a commodity in circulation. Comrades holding this view also gave three ways of expression: (1) The links through which a commodity moves from the sphere of production to the sphere of consumers, the composite form of reflection of space and time; (2) the composite of various economic links through which a commodity must pass through from the sphere of production to the sphere of consumers; (3) the links through which a commodity moves from production to consumer.

In addition, some comrades maintain that a commodity circulation channel has a dual nature, being both the circulation channel of the commodity in its material form and the distribution channel of the commodity in its value form.

3. Objective basis for the formation and classification of a commodity circulation channel.

There are three views regarding the formation and classification of a commodity circulation channel.

The first view holds that five conditions determine and influence the formation of a commodity circulation channel: the level of development of China's forces of production; the economic mode and structure of the country; the natural attributes of the commodity itself; the supply-and-demand situation of the market; historical and traditional customs.

The second view holds that a commodity circulation channel is composed of five elements: different forms of circulation, different forms of ownership; different links of flow; different modes of operation; different forms of organization.

The third view holds that the prerequisite of the formation of channels is the existence of the production-demand relationship of the commodity; the main element in the formation of a channel is whether or not there is economic benefit and how large the economic benefit is; economic benefits determined by different ownership systems play a decisive role in the formation of the channel.

There are three methods of classifying commodity circulation channels.

The first method is according to the principle of suitability of simple and developed forms of commodity circulation. This classifies the channels into two major categories: indirect circulation channel with production and sale separated, and direct circulation channel with production and sale unified. Of these, the indirect channel is the principal one. Circulation channels can also be classified according to the attributes of the commodity into industrial commodity circulation channels and agricultural and sideline commodity circulation channels. Other channels are the country fair trade and the city agricultural produce market where producers and buyers meet directly.

The second method is according to the degree of macrocontrol. This classifies the channels into two major categories: planned channels and unplanned channels. Of the two, planned channel is the primary one.

The third method is according to the forms of ownership. This classifies channels into those of the whole people, collective channels, individual channels, and combined channels.

4. The connections and differences between multiple commodity circulation channels on the one hand and diverse sectors of the economy and diverse modes of operation on the other.

The majority of the comrades hold that the existence of diverse sectors of the economy and diverse modes of operation is closely related to the multiple commodity channels. This is because circulation channels cannot be separated from the circulation link enterprises, and an enterprise always has to be of a specific type of ownership. Therefore a circulation channel is actually either made up entirely of a certain type of economic sector or made up of diverse overlapping or connecting economic sectors. The mode of operation is the main content of a circulation channel. It is actually a question of how channels are chosen.

However, a number of comrades pointed out that there are differences between multiple commodity circulation channels on the one hand and diverse sectors of the economy and diverse modes of operation on the other. Circulation channels are the link through which a circulating commodity moves directly from the sphere of production to the sphere of consumers, whereas diverse sectors of the economy can constitute a single channel in the sphere of commodity circulation or be just a link in circulation. There are usually several different economic sectors in one channel, so it cannot be said that one kind of economic sector is a channel. Also, the structural state of circulation channels determines whether or not commodity can circulate freely, whereas diverse economic sectors reflect only the social attributes of the economic sector of a circulation channel. As for the difference between the circulation channel and the mode of operation, the circulation channel is the form, and mode of operation is the content. What the circulation channel has to solve is what circulation links a commodity should go through to flow from production to consumer; whereas what the mode of operation has to solve is how a commodity enters a certain link in the channel, that is, how to select a channel.

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CSO: 4006/271

GENERAL

RESTRUCTURING NECESSARY DESPITE STEADY ECONOMIC GROWTH

Shanghai WEN HUI BAO in Chinese 13 Jan 82 p 3

[Article by Xu Haikuo [1776 3189 7056]: "Is Restructuring Necessary Even in the Midst of a Steady Economic Growth?"]

[Text] In his Report on the Work of the Government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang said: "Our national economy has embarked on the path of steady growth." This is a realistic assessment of our country's present economic situation. In the report, he also listed "active and steady reform of our economic system" as one of the 10 principles for economic construction.

Why is restructuring still necessary when the economy has already embarked on the path of steady growth?

1. The excellent situation of steady economic growth is the result of implementing the policy of readjustment, restructuring, consolidation and improvement adopted at the 30 Plenary Session of the 11th Party Central Committee. It is true that readjustment has played the leading role, but, at the same time, restructuring has also made important contributions. For example, the allround increase of agricultural output is the foundation of our country's steady economic growth. Although many regions suffered serious natural disasters last year, our annual total grain output was still the second highest since the founding of the People's Republic, and new achievements were won in agriculture, forestry, animal husbandry, sideline production and fishery. The countryside was full of vitality and the situation was gratifying. Such achievements are attributed to the fact that since 1979, we have shown due respect for the decision-making power of production teams, introduced the system of production responsibility in various forms and changed the overcentralized system of management, the blind commandism in production and the equalitarianism in distribution, so that the agricultural productive forces could be liberated once again. In the past 3 years, we also gradually expanded the decision-making power of enterprises, introduced the system of economic responsibility, more effectively implemented the principle of "to each according to his work," and brought into play the regulative role of the market as a supplement to state planning. All these changes have played an important role in arousing the enthusiasm of enterprises, workers and staff members and in promoting steady economic growth. However, we must understand that the economy, just embarking on the path of steady growth, still needs to be consolidated and further developed. The restructuring we have carried out so far is only partial and exploratory in nature. It has just begun and should

be actively and steadily continued hereafter if we want to have an all-round restructuring. The consolidation and continuation of the steady economic growth have to be promoted by restructuring, while the continued development of economy in turn will create the conditions for an all-round restructuring.

2. Readjustment, restructuring, consolidation and improvement constitute a whole entity in which readjustment and restructuring complement each other. Because of "leftist" errors in the past, we were overanxious for quick success in economic construction with the result that our national economy became seriously imbalanced. To change this situation, we must carry out national economic readjustment. In our economic work, we also had the problem of overconcentration of power in economic management, and the problem of "eating from the same pot" and equalitarianism in distribution. These problems seriously dampened enthusiasm in many quarters and obstructed the development of economy. To solve these problems, a restructuring of the economic system is necessary. From this, we can see that both readjustment and restructuring have been different problems to solve. Yet they are interrelated and mutually regulated. In other words, not only restructuring has to be subordinated to readjustment, but also readjustment has to enlist the assistance of restructuring. Only thus can we stand firm, lay a good foundation and advance more steadily.

3. The steady growth of our economy should be based on realities in our country. We should blaze a new trail so that a fairly realistic speed of advance can be maintained with fairly good economic results and more real benefits for the people. The improvement of economic results is the crucial factor. Since the founding of the People's Republic, the success of our economic construction has been primary and tremendous. However, it must also be admitted that the economic results have been far from ideal, because of the large input, little output, and huge waste, all hampering the improvement of people's livelihood. Why are the economic results unsatisfactory? Because the defects in our economic management system has formed the biggest obstacle. To improve the economic results and to blaze a new trail in our economic construction, therefore, restructuring is a necessity.

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